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THE LOCALIZATION OF INDUSTRY

How it starts; Why it grows and persists

By Dr. MALCOLM KEIR

ASSISTANT PROFESSOR OF INDUSTRY, UNIVERSITY OF PENNSYLVANIA

"PILL-ALLEY" is the college slang for a certain stately elm-arched street lined with colonial mansions. The name "Pill-Alley" is a recognition of the large number of doctors who live along that one avenue. The old college town is by no means the only place that shows evidence of the singular tendency for professional men to hang their shingles one beside the other. Nor is this peculiarity confined to the professions, for a similar liking for the neighborhood of their rivals is shown by retailers, wholesalers and even by manufacturers. Dentists as a rule hive in one office building, opticians open their shops along the same thoroughfare, department stores crowd about some one vantage point, wholesale leather dealers jostle each other in their neighboring warehouses, and wholesale wool merchants congregate near a common marketplace. Manufacturers, too, show the same tendency. More than three fourths of the collars and cuffs made in the United States come from Troy, New York; silver plate to a like degree is manufactured at Meriden, Connecticut; tanning is centered at Milwaukee, Wisconsin; and Paterson, New Jersey, is the home of silk manufacturing. So the story goes; a large number of the great and small industries of the United States are not scattered broadcast over the entire country, but are confined to one narrow locality. This fact is contrary to what common sense would seem to dictate, for apparently a business would be most assured of success where it had no competition in the immediate neighborhood, but in reality industry seems to thrive best where it throngs most. It is worth while, then, to find out how localization starts and grows, and what advantages it offers.

Some localized industries have started as a response to resources either in raw materials and power, or in unskilled labor. Others originated in particular places because they were near to their market, while a few by virtue of a monopoly control were permitted the choice of a desirable strategic location.

The presence of raw materials has been a potent factor in giving rise to localization. For example, Chesapeake Bay is the greatest bed for oysters to be found in America, and, as a result, the metropolis of the Bay, Baltimore, does more than two thirds of the oyster-canning business of the United States. One might generalize and say that, as a rule, the preserving industries localize near the source of their materials. This explains the salmon canneries of the Columbia River, the wine plants of California, the grape-juice factories of northeast Pennsylvania or northwest New York, the sweet-corn canneries of Maine, the tomato canneries of New Jersey and the slaughterhouses of Chicago.[1]

Not only perishable raw materials, but also those that are bulky, heavy or fragile, tend to collect factories near the point of origin of the crude stock. Thus Pittsburgh, near the fragile coke of Connellsville, manufactures with this fuel eight per cent. of America's rolled steel; likewise in the Lehigh Valley heavy rock is transformed into the Portland cement used to build skyscrapers in New York and Philadelphia and other cities along the Atlantic coast. Similarly Muncie, Indiana, near to abundant supplies of natural gas for fuel, is one of the largest national centers of glass-making. The fruit jars known by housewives all over the United States are manufactured there. Accordingly, in many different places raw materials of various kinds have been responsible for the fame of a locality in the industry that reshapes those raw materials into a more serviceable form.

It has frequently happened that industries called to particular places by resources in materials have remained where they started long after the local supply of crude stock has disappeared. The rubber-using factories of Massachusetts, Rhode Island and Connecticut may be taken to illustrate the point. In young America, when commerce was a source of large profit, many curious products from out-of-the-way regions of the world were carried to New England ports. Among other commodities, rubber from the Amazon entered Boston, Massachusetts; Providence, Rhode Island; and New Haven, Connecticut. The presence of this raw material gave rise to rubber-using industries in or around all three of these cities, the goods made ranging from overshoes to fountain pens. Yet crude rubber is seldom seen to-day on the docks of these maritime cities, for most of it now comes into the United States by way of New York. Despite the fact, nearly all the rubber overshoes, boots or arctics made in the United States are produced in the locality between Providence and Boston, because this was the *original* region of import. A half-dozen plants now belonging to the United States Rubber Co., as well as the factory that turns out Waterman's fountain pens, are all in one narrow valley adjacent to New Haven. The Woonsocket Rubber Company is within hailing distance of Providence, while the Hood Rubber Company is representative of scores of others that girdle Boston. Likewise the plated-jewelry industry centered in the Attleboroughs of Massachusetts, just outside of Providence, Rhode Island, is there in response to the fact that gold and silver from Spain, Portugal and the West Indies once were borne into Providence by home-bound commerce carriers. Since the European war opened, attention has been called to the predominance in firearms manufacture of three Connecticut cities; namely, Bridgeport, New Haven and Hartford. These cities are now famous for rifles and revolvers because at one time western Connecticut produced a grade of iron from local ores that was better fitted than that found anywhere else for making weapons or edge tools. In all of these cases, the rubber mills, the jewelry factories or the firearms plants, the present-day greatness of the industries entirely overshadows the fact that they came to the regions originally because raw materials were easily secured at those points.

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[1] Thirty-three and one third per cent. of the nation's slaughtering is done at Chicago.

Water power is a resource that is responsible for drawing many industries into compact units around desirable power sites. Accordingly, we find that one third of the knit underwear made in the United States is furnished by a string of towns in the Mohawk Valley from Cohoes to Utica. This is due to the circumstance that the first knitting machine run by power was set up at Cohoes to take advantage of the large amount of power available at that place. American writing-paper manufacture centers at Holyoke, Massachusetts, because the reduction of rags to pulp requires a large amount of power, and the Connecticut River at Holyoke furnishes the greatest water power in New England. The falls and canal systems at Holyoke fixed the attention of engineers upon water-propelled mechanisms, and out of their studies improved turbines arose. As a consequence, Holyoke entered the field of machinery manufacture, so that later when Niagara was bridled, the great turbines that turn Niagara's energy into usable power were made at Holyoke.

The large number of rapids and falls in the Merrimac River attracted to its banks the largest cotton mill in the world at Manchester, New Hampshire, the largest wool mill in the world at Lawrence and one of the principal cotton manufacturing cities of the United States at Lowell; no other stream in the world turns so many textile spindles as the Merrimac. Power then, as well as raw materials, is responsible for the origin of many localized industries.

An unused labor supply also frequently calls together a group of mills to take advantage of the opportunity to exploit this labor. Wherever an industry has collected a large working force of men, a situation favorable to industries using female labor is created because the wives, sisters, daughters or cousins of the male workers are glad of the chance to get a job whereby they may increase the family budget or attain individual economic independence. Hence silk mills have invaded the coal-mining districts to such an extent that Scranton, Pennsylvania, is second only to Paterson, New Jersey, in the manufacture of silk. Allentown, Pennsylvania, in the Lehigh Valley cement district, ranks abreast of Scranton in the silk industry because cement-making employs the men of the family while the silk mills give occupation to the women or girls. Industries of this sort are called parasitic because they utilize a labor force collected by some other activity.

It is apparent that some localized industries originated in a resource, or in an unused labor supply. Others have started because a large market near at hand gave the necessary incentive. The potency of a market in establishing a localized industry is seen in the case of the manufacture of agricultural implements. This industry has followed the grain belt westward; once along the Atlantic, then in interior New York and now in the middle west, manufacture and market have always coincided. Starting in Chicago, because that city has easier access to all the great agricultural states of the upper Mississippi valley, the industry has so expanded that to-day Chicago can claim a fourth of the entire nation's product.

But more than resources, more than labor, more than markets, more than any other cause for the start of a localized industry, we must recognize the power of chance. Fortuitous accident has been responsible for the feeble beginning of now strongly intrenched industries more than any other reason we may assign. Westfield, Massachusetts, now manufactures over two thirds of our whips because one irate farmer, incensed by his neighbors' pillage of his willow hedge to belabor their horses, cut the willows himself, bound them with twine and sold them to the erstwhile plunderers. That started an industry that has since made the town conspicuous. The position of Lynn in the shoe industry, the center of a circle of towns manufacturing a fourth of the shoes worn in the United States, is partly due to the chance settlement there of a Welshman named Dagys, the most skillful shoemaker in the colonies. If Dagys had happened to go to Providence or New Haven, doubtless one of these cities rather than Lynn would now have Lynn's honorable station. German Palatinates, fleeing to America, but skilled in the art of knitting, by chance found congenial religious refuge in Penn's settlement of Philadelphia. Once established on our soil, they set about their accustomed trade and soon made Germantown (part of Philadelphia) famous throughout the colonies for its stockings. To-day, as a result, Philadelphia manufactures more hosiery than any other place in the country. So the list of illustrations might be lengthened, but it would prove only more conclusively that accident is the most influential factor in determining where a localized industry will come into being.

One other factor, however, must be mentioned; namely, monopoly. In modern industry we are familiar with the spectacle of one corporation or group of allied companies gaining such ascendancy over the whole trade that arbitrary decisions replace the usual give-and-take of competition. The will of one compact unit becomes the law for the whole industry. It is obvious that such a monopolistic control may choose the most desirable locations for its plants, and concentrate its efforts in a few most advantageous places. The limitation upon the number of factories and the large output in a few selected towns or cities bears a close resemblance to localization of industry. For instance, all of the oil-refining done in America is carried on in a half-dozen great plants, some on the Atlantic coast, some in the Central West, and some along the Pacific. Similarly, sugar-refining is confined to a few strategic points. The manufacture of shoe machinery is likewise confined to one town (Beverly, Mass.) in the heart of the greatest shoemaking district. In every case, the localization is entirely artificial and could be annihilated by an adverse court decision or the expiration of patents. Before the Standard Oil Company gained its supremacy, there was no localization of refineries; the American Sugar Refining Company is responsible for the localization of its industry, and if there were no United States Shoe Machinery Company, every machine-tool center in United States would have the possibility of entering that trade. So localization induced by monopoly is only as permanent as the parent corporation that gives it birth. It is undoubtedly economic and profitable, but if competition were given full sway, monopoly-localization could not endure.

Whatever was the cause of their inception—raw material, power, unused labor, a nearby market, accident or monopoly—all localized industries have shown similar methods of growth, have profited by like advantages and suffered by reason of analogous handicaps. How a localized industry grows is a more important consideration than how it starts.

Many industries have become localized because they are family affairs, and the family has remained in one section of the country. A father in business with several sons often establishes those sons in branch plants or associated lines, which, growing to prominence around the original plant, give a reputation to the locality for that particular business. The cotton industry of southeastern New England has always been associated with the names of Slater, Borden, Sprague or Knight; the cotton manufacturing of the Merrimac River is intimately connected with the Lawrence family, while at the present time Chattanooga, Tenn., is developing into a cotton-mill center under the leadership of the Thatcher brothers and sons. In colonial America, no iron-making project was said to be complete unless a Leonard was in control, and the great brass industry of western Connecticut is the outgrowth of the Scoville, Benedict and Burnham families.

By means of shop association as well as through blood bonds, an industry increases in importance in the town where it first starts. Superintendents or foremen may be considered as members of an "industrial family" just as sons are the heirs of their fathers. When an experienced superintendent decides to become his own boss, oftentimes he finds it impossible to go to a strange place in which he is unknown; but in the town where he has worked for years, the bankers know and trust him, and the business he purposes to enter is a tested proposition. Consequently the superintendent can best succeed by establishing himself in the shadow of the plant where he was once an employee. It has been stated that every cotton mill started between 1790 and 1814 was by men who themselves had been trained by Samuel Slater, at Pawtucket, Rhode Island. Growth of this kind, through former workmen, has made Attleborough the seat of plated jewelry, and the Mohawk Valley the chief center for the manufacture of knit underwear.

Timidity of local capitalists is another cause for an industry's enlargement in a particular place. Many men with small amounts of money to invest are afraid to risk their funds in any project unless they can keep it under daily observation. Hence, they encourage new ventures in their own town as long as there is promise of profit. When New Bedford whaling captains saw their own business declining, they looked for a new opening for their financial resources. Their close neighbor, Fall River, was making great strides in cotton manufacture but the old whalers absolutely balked at furthering enterprises in another town. Instead they put their money into cotton factories in New Bedford with the result that to-day New Bedford stands second in this industry and holds first place for quality.

Sons, superintendents or local capitalists promote the early growth of an industrial center, but the mature advance is occasioned by the multiplication of allied industries, the increase in the number of supply houses or by the presence of plants utilizing wastes.

Instead of attempting to manufacture an entire shoe, many plants in Lynn or Brockton confine themselves to making heels, counters, box-toes or soles; similarly in Lowell, New Bedford, Philadelphia and other textile centers, there are enterprises that specialize in originating patterns or designs, others which prepare warps for looms and yet others that produce spools or cops to hold threads. Ventures of these kinds would meet with little success if they were attempted anywhere but in a community where the main industry was localized, because the expense of reaching a market would exhaust all profits. On the other hand, the presence of shops specializing in parts of the main product aids the larger factories, for it enables them to purchase supplies right at hand. The way in which a subsidiary industry is correlated to the principal one is familiar to every one in the case of automobile manufacture.

The greatest source of automobile accessories is Detroit, which is also the largest producer of automobiles. The association of major and minor plants may also be seen in the textile industry. Philadelphia, one of the chief textile centers of United States, has more dye-houses than any other city. In fact the close union of independent and dependent mills is one of the most striking features of our manufacturing industry. About two thirds of the needles and pins of American manufacture come from Connecticut, the state that supplies the brass of which needles and pins are made. The home of the sewing machine is Bridgeport, Connecticut; corsets, almost entirely a sewing-machine product, come from Bridgeport,[2] and New Haven.[3]

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[2] Twenty per cent. of the United States total.

[3] Twelve per cent. of the United States total.

The large and small enterprises at the chief seat of an industry are a benefit to each other because by subdivision of product and by greater specialization, the costs of production are reduced, so that outside competition is easily met. Partly finished material is also produced at the very doors of the factory that will complete it for market; hence transportation charges are reduced and annoying delays in delivery obviated. Therefore, an industry once established in a locality is assured of a steady advance.

Localization, furthermore, attracts to itself plants whose business is the utilization of waste products. In order to insure a plentiful supply of raw material upon which to work, these shops must be where there are many factories creating the same sort of waste. For the factories, the presence of the waste-using shops turns a loss into profit, a charge into a credit or a liability into an asset.

An instance of this form of economy may be witnessed in the iron and steel industry. The largest steel mill in the United States at Gary, Indiana, has its complement in a great cement plant at Buffington, Indiana. The cement is manufactured from the slag that the steel mills throw out. Slag is the scum of impurities taken from the ore when iron is smelted. Ordinarily it has no value, but is one of the greatest nuisances to clear out of the way. It so happens, however, that slag usually contains sand, clay and lime, the three materials that compose cement, so that by grinding the slag and mixing the three constituents in the correct proportions cement may be manufactured. A cement plant corollary to a steel works, therefore, is a great boon to the steel concern, because by making cement of slag the premises of the steel mill are rid of the accumulation and at the same time what would otherwise be more than a loss is turned into a revenue producer.

Another illustration of the utilization of waste is seen in New York City, the nation's tailor shop. The short ends of cloth are carried to the cap shops that are usually next door to clothing factories. If there were no adjoining cap factories, the only market for remnants would be a shoddy-mill, but as a raw material for caps, the scrap cloth is more valuable than in the form of rags destined to shoddy. The arrangement is advantageous to cap makers, too, because it saves a large amount of cutting, and allows a wider range of cloth patterns than the manufacturer could afford if cloth were purchased in the whole piece.

Again, the city of Gloucester, Massachusetts, is one of the most famous fishing ports in the world. In preparing fish for sale, the heads and tails are removed. These are not thrown back into the sea, but are carried by the dray-load to a factory that is famous all over the country as a producer of glue and mucilage.

Waterbury, Connecticut, also, around which city a half of America's brass is made, has a "brass laundry" where small pieces of scrap and shavings are washed to recover the machine shop oil, to separate brass from other metals and to make the recovered brass available as raw material for recasting. This "laundry" handles twenty million pounds of brass shavings per year and adds a value of five to fifteen cents per pound.

Whenever such waste-using plants appear, they add an increment to the importance of a locality as the center of an industry; for by transforming liabilities into assets, and turning costs into profits, they aid in the defense of the community against the onslaughts of outside competition. Hence they augment the growth of the industry in the location where it is already rooted.

Frequently it happens that after a town has become thoroughly identified with an industry, its name has such an advertising value that new concerns seek it instinctively in order that the weight of the prestige of the place may bolster their own reputation. Detroit is the Mecca for incipient automobile manufacturers; the name Brockton lends quality to a shoe because Brockton has the reputation for men's high-grade footwear; New Bedford likewise stands for high-quality cotton; indeed the name of some of her mills is the recognized symbol of certain grades, for example Wamsutta sheeting. The multiplication of small plants attracted by the mere name of a town adds to the renown already attained by the community.

But what is the secret for the success of plants that swarm into one place, fiercely competing with each other and watching, hawklike, for each advantage? How can they profit in such close union?

One of the principal outstanding facts in regard to localized industries is that almost without exception they depend upon highly skilled labor. This circumstance helps to account for the paradoxical prosperity that attaches to the place where the large number of plants makes trade rivalry most vigorous.

An adequate supply of labor especially trained for the work to be done is the foremost advantage enjoyed by the individual units that comprise a localized industry. If one plant desires to expand it can draw upon the reservoir of labor already created. All the factories in the town are constantly filling this reservoir because each mill is a training school for the others. The young boys upon leaving school follow in the steps of their fathers. They learn by actual experience in the factory the moves peculiar to the particular industry; and at home, on the streets or at recreation, imbibe the secret "rules of thumb" current among the workmen and known only to them. The very atmosphere seems charged with a mysterious power that the men draw upon to further the efficiency of their labor, a force which is lost in a city whose industries are largely diversified. The whole accumulation of skill is at the beck of the firm which needs it, and in an industry where trained men are required, its value is beyond estimate. The greatest resource, for example, that the commonwealth of Massachusetts possesses is her abundant supply of skilled men and women, collected in various localities where special work is being performed. The contrast with a state like Pennsylvania is made plain if we suppose some awful catastrophe to sweep away all the people of both states. After such a calamity Pennsylvania would arise again in power, for her coal, her natural gas, her iron, and her agricultural sections—such as Lancaster County, famous for its farms—would bring a new population to work these natural resources; but Massachusetts would be dealt a blow from which she would never recover, because her greatest asset would be wiped out of existence, and instead of being a commanding industrial state, she would probably be known only as a summer resort. Skilled labor, then, is the basis for her wealth, and this resource is nursed and conserved by localized industries. Inasmuch as trade secrets and tricks of manipulation are handed down from father to son, and from friend to friend, there is a social heredity of skill transmitted from generation to generation. Newcomers are easily absorbed in the all-enveloping trade in its home place, but manufacturers who have attempted to draw away even the most highly trained individuals to act as teachers in another remote city have met with failure after failure because the *group* was not skilled and had not known the trade from childhood. The group skill found in a localized industry is the reason why the industry clings to one small section of the country; it is the greatest single advantage that employers find when they set up their plants where others have thriven for years.

Skilled labor differs radically from unskilled in its mobility. Skilled men and women dislike to move from the town where they have settled. They have made many social or economic ties that are hard to break; their friends and relatives live in the town; their fathers and mothers perhaps are buried there, they own their homes there, and have small investments in other land or maybe in the industries of the town. Hence, it means uprooting a whole life to wrench a skilled laborer away from his home town. Since so many localized industries employ skilled laborers, and inasmuch as the industries are vitally dependent upon that labor, they perforce must stay where the labor has become knitted to the locality. Quite a contrary case exists in regard to unskilled labor. This kind has no deep roots in the soil of a place; their interest is primarily financial —the pay envelope—and not social. Hence unskilled labor may be shifted from town to town with the utmost ease. This helps to explain why industries employing unskilled labor are not localized, while skilled industries are highly concentrated in particular communities.

The visible supply of labor at work in the factories is not the only advantage a localized industry offers to mill owners, for there is a secret benefit which grows out of localization, namely, the ready rapid expansion of the labor force during rush seasons by means of home work. We talk about our times as the "Factory Era," yet one half of the people[4] employed in producing wearing apparel, jewelry, silverware, paper articles, sporting goods and celluloid ware, are never housed within factory walls, but do the work in their own rooms. In Massachusetts, for illustration, home work is not confined to large cities, to tenements or to foreigners, nor is it an unofficial pittance to the poverty-stricken; on the contrary, the greatest number of home workers have a family income ranging between $750 and $1,500 a year. The tasks are performed largely by women about thirty years old who have formerly been wage-earners, but are now married and tied to their homes by children, yet glad to do little jobs to earn "pin money"[5] at times when their hands would otherwise be idle. Manufacturers are delighted to avail themselves of this labor force, for it makes no extra demands on the employers, nevertheless enables them to get out orders on time. It is their safety valve[6] since the factory force may be kept intact while the number of operatives outside the walls swells and contracts with the demand for the products. Wherever the home work necessitates some skill or previous training, the manufacturer is well nigh compelled to

[4] Mass. Labor Bulletin No. 101, Industrial Home Work.

[5] They earn about $100 a year.

[6] Or the "marginal element in labor force," to use economic terms.

locate his plant where the labor lives, if his product is subject to the whims of fashion or to seasonal variations. We can appreciate why fourteen of the twenty-eight comb factories in Leominster, Massachusetts, give out home work; why it is that in jewelry manufacture 74 per cent. of all employees are outside the factory roof; why almost all women's neckwear is made in homes, and why, even in so thoroughly mechanical an industry as shoe-making, the bows for shoes and the beading for slippers are made and attached in private dwellings. A large amount of home work is also carried on in connection with the collar factories of Troy, New York; and glove manufacture in all its stages, in Gloversville, New York, is frequently conducted upon the workers' own premises. Hence in all localized industries we must add the invisible trained labor force to that which is in plain sight in the factories; the two together form a combination whose advantage no employer can overlook. Yet there are other advantages to be found in a community whose energies are devoted to one product. Among them are the facilities offered for buying and selling.

In a localized industry small concerns may buy together and thus gain the advantage of bulk shipments, which in the course of a year would represent considerable saving. Freight rates are apt to be lower too, where there are many concerns purchasing the same sort of raw material, because the railroad will equip itself to handle the variety of freight in which its customers deal. By cooperation, the cotton manufacturers of New England have been able to secure such low commodity rates on cotton shipment that whereas formerly much of their raw material was shipped to them by water, it now comes entirely by railroad.

In selling, it is easier to dispose of wares in the vicinity of others who are doing the same thing, because a market is established to which prospective buyers come. This is the reason doctors, dentists and department stores locate where there are other doctors, dentists and department stores. A new concern can not afford to forsake the involuntary aid extended by its neighbors in the same business. Together they constitute a center to which purchasers come; separated, each concern would be forced to put forth a strenuous effort to attract buyers to its doors.

The creation of a market within a localized industry leads logically to the result that some portion of the community devotes itself more and more exclusively to the marketing side of the business. In England, Manchester is less a cotton-mill town than it is a warehouse city, where raw materials are collected for the cotton mills in nearby Bolton or Oldham, and where the cloth from those mill towns is sold. Leeds holds a similar position in respect to the iron trade of England. In Massachusetts we see a like tendency in that Boston is the warehouse for the shoe industry on its border, and in New Bedford, the old city at the center is taking over the commercial business of the cotton mills in the new developing cities at each end of the township. New Bedford really contains three cities under one name, two devoted to manufacture, one to trade. Worcester holds an analogous position for the textile mills of the Blackstone River valley, and Providence, Rhode Island, for the jewelry industry of the Attleboroughs. The cause for the segregation of the market is two-fold; on the one hand it is due to unusual transportation facilities at one part of the district in which an industry is localized, and upon the other to increasing rents at a center driving factories to the rim and leaving the heart to offices which take up little space. These central places, too, offer advantages for buyers to congregate. Aside from railway or hotel accommodations, it is easier for buyers to visit a series of warerooms close together than it is to travel from mill to mill, although the mills may all be in one district. Wherever an industry has become sufficiently developed in one locality to bring forth a central market for buying and selling, the advantages of the localization are greatly increased, since a well-defined place of bargain and sale secures more trade than would a number of scattered offices.

Not all the advantages of localization are on the side of the employers, for the employees too gain by dwelling in a city where there are many factories where men of one trade are employed. For instance, a man who is a cotton weaver stays where weaving is done in several factories, because if he loses his job in one he may be able to get a place in another. Likewise immigrants or weavers from other states will seek the town where weaving is a well-known occupation, because they have a chance of obtaining employment at the thing they know best. Consequently in a localized industry there is greater security of job for laborers than in a town where there is only one factory of a kind.

Where there are many people engaged in the same tasks, a labor union is much easier to form than in a community in which there is only one factory of any one particular type, unless that one plant is exceptionally large. A skilled man or woman fares better in a place where there are many others who possess the same kind of skill, since all can make their demands felt by acting in agreement. The cotton-mill workers of Fall River have formed unions, with the result that, although they constitute but a small fraction of the total number of wage-earners in the industry, nevertheless they set the wages for the whole group in New England. In concerted action there is strength.

To both employer and employee, therefore, localization offers many advantages, but it also has deterrent features that detract from the favorable picture we have drawn; there are shadows as well as high lights.

Chief among the disadvantages is the distance separating the industrial center from the consuming market. As we have mentioned before, buyers tend to seek the community in which an industry is localized, but these men represent wholesale houses, jobbers or large mercantile establishments, most of which of necessity must be far from the town where the goods they purchase are produced; consequently the public to which the wholesale men cater is a long way from the factories. For illustration, products manufactured in Massachusetts must be transported often half the length or the breadth of the country before they reach the individuals who actually use them. This long carriage adds freight charges to the cost of the articles that become so burdensome that an effort is made to produce the things needed nearer the point of consumption. It was for this reason that shoe factories were first set up in St. Louis, and the advantage of being nearer the market than Massachusetts has fostered its growth as a shoe center until it ranks as the third most important one in the United States, only Lynn and Brockton surpassing it, and Haverhill trailing in its wake. All the other recognized wholesale cities tend to establish shoe factories for the same reason that St. Louis secured them; thus they are becoming familiar sights in Philadelphia, Chicago and Cincinnati. For the most part, however, the disadvantage of distance from consumers is easily borne by the localized industries because their products are either small and of light weight, or have such a high value that they can bear long shipment. In every case the labor charge is a large item in the costs of production, so that if a manufacturer must choose between cheap transportation and cheaper labor cost, he unhesitatingly votes for the labor. To locate near the market but away from the recognized center of production adds greatly to the wage list, for men can be induced to leave home only by the lure of more money in their pay envelope, and, furthermore, transplanted factory operatives lose in group efficiency, as we have pointed out. As a result, the distance separating producer and consumer, although a disadvantage, is not the greatest of evils when goods are relatively easy to transport.

In like manner many localized industries are remote from their source of raw material, and therefore must face a freight charge upon every unit of stock they use. Here again the actual amounts to be paid are more startling than the relative, for the cost of cotton from the south, leather from all around the world, steel from Sweden, and rags from Europe, all form so small a portion of the value of the finished article that the mere freight charges on these commodities is a burden on the business that is scarcely recognizable statistically. So long as labor represents the largest single item in the total cost of production, localized industries as a whole will not be likely to seek a position nearer raw materials in order to save freight charges.

From the employers' point of view, the strength of labor unions in a localized industry is a thing that is abhorrent. Labor organizations are strongest in industries whose labor force is most highly skilled and collected in the narrowest area. In the grip of such unions, employers are helpless, and when pinched they wriggle, squirm and cry out just like any other weak thing in the grasp of power; their only relief is to run away. The unions of Lynn became so dictatorial in the matters of "closed shops," wages and hours of work, that several shoe firms, employing many hands, moved outright to Lowell, Massachusetts; or Manchester, New Hampshire. In these places, they have gained a temporary relief, but both towns are becoming shoe centers, so that in the course of time these manufacturers must submit to labor or seek a newer asylum. The power of unions in localized industries, therefore, is a strong force working toward decentralization, at least until unions cover the whole industry over the entire nation. Then there would be no escape anywhere and one place would be under the same conditions as another.

Competition is most severe where the competitors are closest together. In a localized industry, therefore, every manufacturer must accept the terms offered by any one of their number, otherwise all buyers would flock to the firm offering the lowest prices. Frequently in a localized industry the whole trade is demoralized by the presence of some beginner who, although skilled in his work, nevertheless is a poor business man, because he can not calculate costs accurately, and consequently bids for business by selling his goods below the actual cost of production. Of course he meets ruin eventually or changes his policy, but so long as he maintains his low price level, all other manufacturers must sacrifice profits in order to conform to it. Competition is also made a strenuous struggle by the constant strain for improved processes. No matter how carefully guarded the secret of a new device may be or how securely it may be thought to be protected by patents, nevertheless in a localized industry such a secret device soon becomes known, and every manufacturer installs it in some more or less modified form. One manufacturer's advance is immediately imitated by all others, with the result that no man can long enjoy exclusively the fruits of his own inventiveness. The study of processes is a daily grind and the race for improvements is swift indeed, yet the prize is barely attained when its value is snatched away by a new race for a new prize. This situation is highly desirable from a social viewpoint, for it tends to lower prices and widen consumption, but to the manufacturers who must bear the brunt of the business struggle, it is extremely discouraging.

From the employers' viewpoint, consequently, a localized industry has these distinct disadvantages: it is remote from its market, it strengthens the arm of labor and it promotes bitter competition. To the whole population of the town, a localized industry brings another source of dread. If, in addition to the localization[7] of the industry, the community has specialized in it also, then the fear of hard times is alway hovering over the people. To take an illustration—as long as the United States is prosperous there is hardly a better place in which to live than Attleborough, Massachusetts, for every one has plenty of money and does not stint the spending, but Attleborough, manufacturing a luxury (jewelry), early feels a fall in the industrial barometer, and during a period of financial storm there are few places more hard hit or in which people look more anxiously for a return of better conditions. This is true of every town whose industries are not diversified.

From the point of view of employees, localization is bad because it also tends toward narrowing the minds of the townspeople. A young man brought up in Fall River, say, has but little choice of occupation; he must become a weaver or a loomfixer or some other artisan connected with cotton manufacture, because by upbringing, education and example he is forced into that path, and furthermore he goes to work at an early age. It may happen that many a square peg is rammed into a round hole in this way, or a life constricted which might under better conditions have expanded. There is something deadening to the human mind in uniformity; progress comes through variation, therefore in a town of one industry a young man loses the stimulus for self-advancement. In such a town there is little difference in social position, with the result that young people do not have the force of example prodding them to aspire toward heights above their present station. Discontent translated into action is a blessing in disguise, but in a community where all are equal, contentment with one's lot begets lethargy, because there is no contrast urging toward betterment. This contentment tends toward the creation of a laboring class that is self-perpetuating, a condition inimical to American ideals.

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[7] Philadelphia is the center where carpet manufacture is localized, but Philadelphia has not specialized in that branch of business. Her industries are widely diversified. On the other hand, Trenton is not only the seat of the pottery industry, but the town has specialized in that trade. Little else is manufactured there except pottery. It is that kind of town we have in mind here.

Indifference toward education is one of the results that flows from the creation of a labor class, for a desire for knowledge is one of the characteristics attached to progress, inasmuch as aspiration feeds on inspiration. Lowell, containing more than 100,000 people, and Lawrence, with nearly that number, each have but one high school. On the other hand, Springfield, whose population numbers about the same as Lawrence, but whose industries are highly diversified, has no less than three high schools. Worcester also has many unlike industries, and four high schools are in proportion to population three times as numerous as Lowell's, for she has one to 36,000 people, while Lowell has one to 106,000. It is a disadvantage, therefore, for a young man to grow up in a community whose industries are all alike. The chances of his getting a sound education are slim indeed.

The disadvantages of a localized industry, namely, the distance from markets for raw materials and finished goods, the strength of labor unions, the multiplication of plants, the suffering in hard times and the creation of a labor class, are outweighed by the advantages. The ability to secure the right labor, the ease of selling and advantages in buying recommend to an employer the place already established in an industry. On the part of the employees, security of jobs and opportunity for organization among the workers are strong lures toward a center recognized for a particular class of work. Therefore an industry started by a local resource or by accident continues to grow in one spot through the branching of new plants from old ones, through new concerns organized by sons or superintendents, through the advancement that comes by subdivision of product and through the accumulation of small factories that make use of waste products. Localization is therefore a persistent feature of industry.